

CORNING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

Table of Contents

	<u>Page</u>
Board of Education and School District Officials	2
Independent Auditor's Report	3-4
Management's Discussion and Analysis (MD&A)	5-13
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 15
Statement of Activities	B 16-17
Governmental Funds Financial Statements:	
Balance Sheet	C 18
Reconciliation of the Balance Sheet -	
Governmental Funds to the Statement of Net Assets	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances - Governmental Funds to the Statement of Activities	F 21
Proprietary Funds Financial Statements:	
Statement of Net Assets	G 22
Statement of Revenues, Expenses and Changes in Net Assets	H 23
Statement of Cash Flows	I 24
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	J 25
Statement of Changes in Fiduciary Net Assets	K 26
Notes to Financial Statements	27-37
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes	
in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	39
Notes to Required Supplementary Information - Budgetary Reporting	40
Schedule of Funding Progress for the Retiree Health Plan	41
Other Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 43-44
Schedule of Changes in Fiduciary Assets and Liabilities	2 45
Schedule of Revenues by Source and Expenditures by Function -	
All Governmental Funds	3 46
Schedule of Expenditures of Federal Awards	4 47
Independent Auditor's Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	49-50
Independent Auditor's Report on Compliance with Requirements Applicable to	
Each Major Program and on Internal Control over Compliance in Accordance	
with OMB Circular A-133	51-52
Schedule of Findings and Questioned Costs	53-55

**Corning Community School District
Board Of Education and School District Officials
As of Year Ended June 30, 2010**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2009 Election)		
Ralph Morales	President	2009
Gary Goldsmith	Board Member	2009
Shelly Barton	Board Member	2011
Lori Harvey	Board Member	2011
Anna Leonard	Board Member (Resigned May 1, 2009)	2011
Kenya Haffner	Board Member (Appointed June 1, 2009)	2009

Board of Education
(After September, 2009 Election)

Gary Goldsmith	President	2013
Lori Harvey	Vice President	2011
Shelly Barton	Board Member	2011
Kenya Haffner	Board Member	2011
Scott Shuey	Board Member	2013

School District Officials

William Stone	Superintendent	2010
Jodi Lyddon	District Secretary/Treasurer	2010
Rick Engel	Attorney	Indefinite



705 Main Street
Pella, IA 50219
641-628-3737

www.vanmaanenpcpa.com

Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Corning Community School District
Corning, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 1, 2010, on our consideration of the Corning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra, & Meyer, PC
Certified Public Accountants

December 1, 2010

Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues decreased from \$5,092,367 in fiscal 2009 to \$5,046,296 in fiscal 2010, while General Fund expenditures decreased from \$5,607,892 2009 to \$5,091,291 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$1,430,693 in fiscal 2009 to \$1,566,265 in fiscal 2010, a 9.5% increase from the prior year.
- The decrease in General Fund revenues was attributable to decrease in enrollment and reduced state aid. The decrease in expenditures was due primarily to reduction in staff and shared superintendent expenditures.
- Overall, the District decreased in net assets in the governmental activities of \$430,000, and decreased in the business-type activities of \$1,000 respectively.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

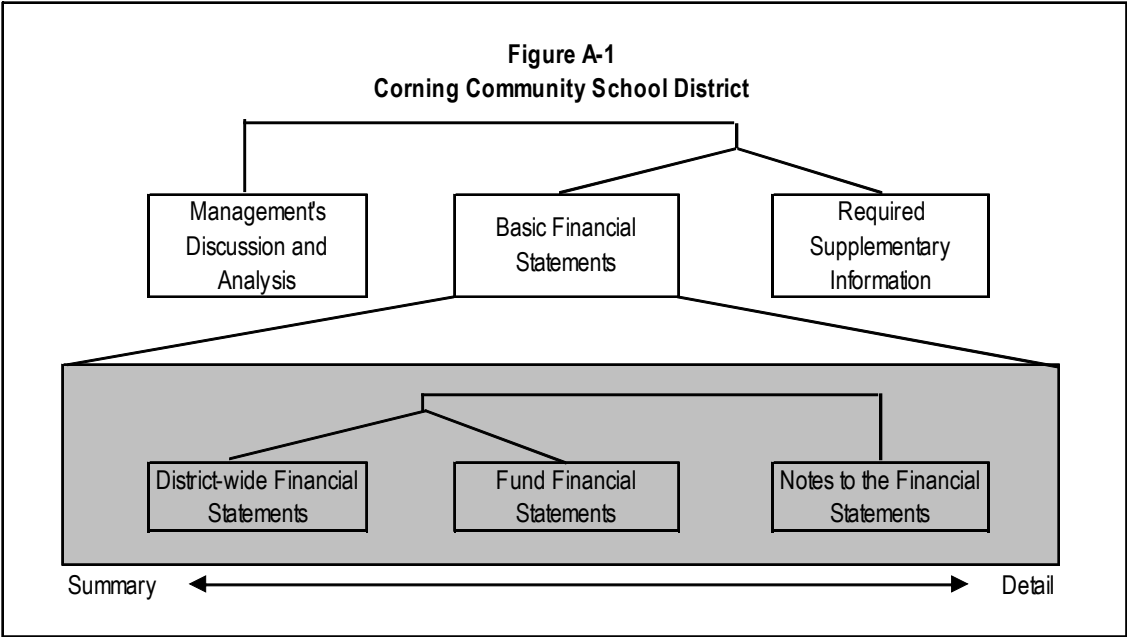


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 11,000	5,576	38	27	11,038	5,603	97.0%
Capital assets	3,668	3,405	50	48	3,718	3,453	7.7%
Total assets	14,668	8,981	88	75	14,756	9,056	62.9%
Long-term liabilities	6,367	486	14	-	6,381	486	1213.0%
Other liabilities	3,136	2,900	-	-	3,136	2,900	8.1%
Total liabilities	9,503	3,386	14	-	9,517	3,386	181.1%
Net assets:							
Invested in capital assets, net of related debt	2,933	3,623	50	48	2,983	3,671	-18.7%
Restricted	1,344	824	-	-	1,344	824	63.1%
Unrestricted	888	1,148	24	27	912	1,175	-22.4%
Total net assets	\$ 5,165	5,595	74	75	5,239	5,670	-7.6%

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2010.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for service	\$ 602	473	95	94	697	567
Operating grants, contributions and restricted interest	1,289	950	145	155	1,434	1,105
General revenues:						
Property tax	2,122	2,329	-	-	2,122	2,329
Local option sales and service tax	293	293	-	-	293	293
Unrestricted state grants	1,564	2,045	-	-	1,564	2,045
Unrestricted investment earnings	12	29	-	-	12	29
Other	20	13	-	-	20	13
Total revenues	5,902	6,132	240	249	6,142	6,381
Program expenses:						
Governmental activities:						
Instruction	4,060	3,814	-	-	4,060	3,814
Support services	1,695	2,199	-	-	1,695	2,199
Non-instructional programs	3	5	241	253	244	258
Other expenses	755	211	-	-	755	211
Total expenses	6,513	6,229	241	253	6,754	6,482
Extraordinary item	181	-	-	-	181	-
Change in net assets	\$ (430)	(97)	(1)	(4)	(431)	(101)

Property tax and unrestricted state grants account for 60 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,902,000 and expenses were \$6,513,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,060	2,407
Support services	1,695	1,662
Non-instructional programs	3	3
Other expenses	755	550
Totals	<u>\$ 6,513</u>	<u>4,622</u>

- The cost financed by users of the District's programs was \$601,824.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,289,842.
- The net cost of governmental activities was financed with \$2,121,745 in property tax, 293,488 in local option sales and service tax, \$1,564,456 in state foundation aid, \$11,656 in interest income, and \$5,814 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$239,879 and expenses were \$241,306. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$7,766,258, above last year's ending fund balances of \$2,594,146. The primary reason for the increase in combined fund balances in fiscal 2010 was due to the increase in revenue from general obligation bond sale of \$5,730,000.

Governmental Fund Highlights

- The General Fund balance increased from \$1,430,693 to \$1,566,265. The District's increasing General Fund financial position is the product of many factors. The district decreased in general fund expenditures due to shared superintendent expenses.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$50,190 in fiscal 2009 to \$169,391 in fiscal 2010.
- The Capital Projects Fund balance increased from \$433,369 in fiscal 2009 to \$5,401,626 in fiscal 2010.
- The Management Fund balance decreased from \$627,890 in fiscal year 2009 to \$558,832 in fiscal 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$75,363 in fiscal 2009 to \$73,936 in fiscal 2010, representing a decrease of approximately 2 percent.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 39.

Legal Budgetary Highlights

The District's total actual receipts were \$807,656 less than the total budgeted receipts, a variance of 13.1%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the District had invested \$3,718,362, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year exceeded \$229,672.

The original cost of the District's capital assets was \$7,158,067. Governmental funds account for \$6,953,412 with the remainder of \$204,655 in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 205	205	-	-	205	205	0.0%
Buildings	2,163	2,237	-	-	2,163	2,237	-3.3%
Improvements other than buildings	433	468	-	-	433	468	-7.5%
Furniture and equipment	867	495	50	48	917	543	68.9%
Totals	\$ 3,668	3,405	50	48	3,718	3,453	7.7%

Long-Term Debt

At June 30, 2010, the District had \$5,730,000, in general obligation bonds and \$455,000 for an early-retirement plan. This represents an increase of 1210.10% from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District June 30,		Total Change June 30, 2009-2010
	2010	2009	
General obligation bonds	\$ 5,730	215	2565.1%
Early retirement	455	271	67.9%
Compensated absences	57	-	-
Net OPEB liability	125	-	-
Totals	\$ 6,367	486	1210.1%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has and will continue to impact the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

Basic Financial Statements

Corning Community School District
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,405,033	35,221	8,440,254
Receivables:			
Property tax:			
Delinquent	32,126	-	32,126
Succeeding year	2,313,298	-	2,313,298
Income surtax	84,314	-	84,314
Accounts	157	-	157
Due from other governments	164,758	-	164,758
Inventories	-	2,121	2,121
Capital assets, net of accumulated depreciation	3,668,033	50,329	3,718,362
Total assets	14,667,719	87,671	14,755,390
Liabilities			
Accounts payable	203,603	-	203,603
Salaries and benefits payable	467,758	-	467,758
Accrued interest payable	40,594	-	40,594
Unearned revenue:			
Succeeding year property tax	2,313,298	-	2,313,298
Income surtax	84,314	-	84,314
Other	25,975	-	25,975
Long-term liabilities:			
Portion due within one year:			
Compensated absences	56,700	8,100	64,800
Bonds payable	180,000	-	180,000
Early retirement	138,480	-	138,480
Portion due after one year:			
Net OPEB liability	125,371	5,635	131,006
Bonds payable	5,550,000	-	5,550,000
Early retirement	316,602	-	316,602
Total liabilities	9,502,695	13,735	9,516,430
Net assets			
Invested in capital assets, net of related debt	2,933,198	50,329	2,983,527
Restricted for:			
Management levy	558,832	-	558,832
Physical plant and equipment levy	169,391	-	169,391
Capital projects	406,461	-	406,461
Other special revenue purposes	62,912	-	62,912
Categorical funding	145,889	-	145,889
Unrestricted	888,341	23,607	911,948
Total net assets	\$ 5,165,024	73,936	5,238,960

See notes to financial statements.

Corning Community School District
Statement of Activities
Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 2,775,868	314,522	619,821	(1,841,525)	-	(1,841,525)
Special	714,257	39,220	420,973	(254,064)	-	(254,064)
Other	570,020	248,082	10,823	(311,115)	-	(311,115)
	4,060,145	601,824	1,051,617	(2,406,704)	-	(2,406,704)
Support Service:						
Student	6,945	-	-	(6,945)	-	(6,945)
Instructional staff	299,621	-	-	(299,621)	-	(299,621)
Administration	602,128	-	-	(602,128)	-	(602,128)
Operating and maintenance of plant	521,063	-	33,789	(487,274)	-	(487,274)
Transportation	265,448	-	-	(265,448)	-	(265,448)
	1,695,205	-	33,789	(1,661,416)	-	(1,661,416)
Non-instructional programs	3,400	-	-	(3,400)	-	(3,400)
Other expenditures:						
Facilities acquisition	499,482	-	-	(499,482)	-	(499,482)
Long-term debt interest	50,526	-	-	(50,526)	-	(50,526)
AEA flowthrough	204,436	-	204,436	-	-	-
	754,444	-	204,436	(550,008)	-	(550,008)
Total governmental activities	6,513,194	601,824	1,289,842	(4,621,528)	-	(4,621,528)
Business type activities:						
Non-instructional programs:						
Food service operations	241,306	94,982	144,859	-	(1,465)	(1,465)
	241,306	94,982	144,859	-	(1,465)	(1,465)
Total primary government	\$ 6,754,500	696,806	1,434,701	(4,621,528)	(1,465)	(4,622,993)

Corning Community School District
Statement of Activities
Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
	Expenses	Charges for Service				
Totals continued from previous pages	\$ 6,754,500	696,806	1,434,701	(4,621,528)	(1,465)	(4,622,993)
General Revenues:						
Property tax levied for:						
General purposes				1,954,265	-	1,954,265
Capital outlay				167,480	-	167,480
Statewide sales and services tax				293,488	-	293,488
Unrestricted state grants				1,564,456	-	1,564,456
Unrestricted investment earnings				11,656	38	11,694
Other				5,814	-	5,814
Gain (loss) on disposal of assets				(126)	-	(126)
Contributions not restricted to specific programs				14,396	-	14,396
Total general revenues				4,011,429	38	4,011,467
Extraordinary Item						
Flood recovery assistance				180,567	-	180,567
Change in net assets				(429,532)	(1,427)	(430,959)
Net assets beginning of year, as restated				5,594,556	75,363	5,669,919
Net assets end of year				\$ 5,165,024	73,936	5,238,960

See notes to financial statements.

Exhibit C

Corning Community School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Management	Debt Service	Capital Projects	PPEL	Non-major Governmental	Total
Assets and Other Debits							
Cash and pooled investments	\$ 1,949,554	697,147	7,232	5,520,472	167,002	63,626	8,405,033
Receivables:							
Property tax:							
Current year delinquent	27,345	2,392	-	-	2,389	-	32,126
Succeeding year	1,843,726	-	298,450	-	171,122	-	2,313,298
Income surtax	84,314	-	-	-	-	-	84,314
Accounts	157	-	-	-	-	-	157
Due from other governments	128,235	-	-	36,523	-	-	164,758
Total assets and other debits	\$ 4,033,331	699,539	305,682	5,556,995	340,513	63,626	10,999,686
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 45,293	2,227	-	155,369	-	714	203,603
Salaries and benefits payable	467,758	-	-	-	-	-	467,758
Early retirement payable	-	138,480	-	-	-	-	138,480
Deferred revenue:							
Succeeding year property tax	1,843,726	-	298,450	-	171,122	-	2,313,298
Income surtax	84,314	-	-	-	-	-	84,314
Other	25,975	-	-	-	-	-	25,975
Total liabilities	2,467,066	140,707	298,450	155,369	171,122	714	3,233,428
Fund balances:							
Reserved for:							
Debt service	-	-	7,232	-	-	-	7,232
State grants	145,889	-	-	-	-	-	145,889
Unreserved:							
Designated for special purposes by the Board	300,000	-	-	-	-	-	300,000
Undesignated	1,120,376	558,832	-	5,401,626	169,391	62,912	7,313,137
Total fund balances	1,566,265	558,832	7,232	5,401,626	169,391	62,912	7,766,258
Total liabilities and fund balances	\$ 4,033,331	699,539	305,682	5,556,995	340,513	63,626	10,999,686

See notes to financial statements.

Exhibit D

**Corning Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2010**

Total fund balances of governmental funds (Exhibit C)	\$ 7,766,258
--	---------------------

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,668,033
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,594)
--	----------

Long-term liabilities, including bonds payable, early retirement, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,228,673)</u>
---	--------------------

Net assets of governmental activities (Exhibit A)	<u>\$ 5,165,024</u>
--	----------------------------

See notes to financial statements.

Corning Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2010

	General	Management	Debt Service	Capital Projects	PPEL	Non-major Governmental	Total
Revenues:							
Local sources:							
Local tax	\$ 1,804,395	149,870	-	293,488	167,480	-	2,415,233
Tuition	240,356	-	-	-	-	-	240,356
Other	146,149	5,553	6,766	2,107	58	231,411	392,044
State sources	2,303,455	96	-	-	96	-	2,303,647
Federal sources	551,941	-	-	-	-	-	551,941
Total revenues	5,046,296	155,519	6,766	295,595	167,634	231,411	5,903,221
Expenditures:							
Current:							
Instruction:							
Regular	2,354,005	146,543	-	-	-	-	2,500,548
Special	694,027	-	-	-	-	-	694,027
Other	336,528	-	-	-	-	219,512	556,040
	3,384,560	146,543	-	-	-	219,512	3,750,615
Support services:							
Student	12,425	-	-	-	-	-	12,425
Instructional staff	249,730	-	-	-	-	-	249,730
Administration	554,155	26,103	-	-	-	-	580,258
Operation and maintenance of plant	473,342	28,387	-	-	-	-	501,729
Transportation	212,643	20,144	-	-	-	-	232,787
	1,502,295	74,634	-	-	-	-	1,576,929
Non-instructional programs	-	3,400	-	-	-	-	3,400
Other expenditures:							
Facilities acquisition	-	-	-	831,050	48,433	-	879,483
Long-term debt:							
Principal	-	-	215,000	-	-	-	215,000
Interest and fiscal charges	-	-	11,813	-	-	-	11,813
AEA flowthrough	204,436	-	-	-	-	-	204,436
	204,436	-	226,813	831,050	48,433	-	1,310,732
Total expenditures	5,091,291	224,577	226,813	831,050	48,433	219,512	6,641,676
Excess (deficiency) of revenues over (under) expenditures	(44,995)	(69,058)	(220,047)	(535,455)	119,201	11,899	(738,455)
Other financing sources (uses):							
Flood recovery assistance	180,567	-	-	-	-	-	180,567
General obligation bonds issued	-	-	-	5,730,000	-	-	5,730,000
Operating transfers in	-	-	226,288	-	-	-	226,288
Operating transfers out	-	-	-	(226,288)	-	-	(226,288)
Total other financing sources	180,567	-	226,288	5,503,712	-	-	5,910,567
Net change in fund balances	135,572	(69,058)	6,241	4,968,257	119,201	11,899	5,172,112
Fund balances beginning of year, as restated	1,430,693	627,890	991	433,369	50,190	51,013	2,594,146
Fund balances end of year	\$ 1,566,265	558,832	7,232	5,401,626	169,391	62,912	7,766,258

See notes to financial statements.

Corning Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statements of Activities
Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) **\$ 5,172,112**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 486,727	
Gain (loss) on disposal of capital assets	(126)	
Depreciation expense	(223,615)	262,986

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	(5,730,000)	
Repaid	215,000	(5,515,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(38,713)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(128,846)	
Compensated absences	(56,700)	
Other postemployment benefits	(125,371)	(310,917)

Change in net assets of governmental activities (Exhibit B) **\$ (429,532)**

See notes to financial statements.

Exhibit G

**Corning Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2010**

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 35,221
Inventories	2,121
Capital assets, net of accumulated depreciation	<u>50,329</u>
Total assets	<u>87,671</u>
Liabilities	
Compensated absences	8,100
Net OPEB liability	<u>5,635</u>
Total liabilities	<u>13,735</u>
Net Assets	
Invested in capital assets	50,329
Unrestricted	<u>23,607</u>
Total net assets	<u><u>\$ 73,936</u></u>

See notes to financial statements.

Exhibit H

Corning Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2010

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 94,982
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	90,265
Benefits	29,187
Purchased services	2,684
Supplies	112,872
Depreciation	6,057
Other	241
Total operating expenses	241,306
Operating loss	(146,324)
Non-operating revenues:	
State sources	2,806
Federal sources	142,053
Local sources	38
Total non-operating revenues	144,897
Net loss	(1,427)
Net assets beginning of year	75,363
Net assets end of year	\$ 73,936

See notes to financial statements.

Exhibit I

**Corning Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2010**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 94,982
Cash payments to employees for services	(105,789)
Cash payments to suppliers for goods or services	(98,171)
Net cash used by operating activities	(108,978)
Cash flows from non-capital financing activities:	
State grants received	2,806
Federal grants received	123,835
Net cash provided by non-capital financing activities	126,641
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(8,779)
Cash flows from investing activities:	
Interest on investments	38
Net increase in cash and cash equivalents	8,922
Cash and cash equivalents at beginning of year	26,299
Cash and cash equivalents at end of year	\$ 35,221
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (146,324)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,218
Depreciation	6,057
(Increase) in inventories	(592)
(Decrease) in salaries payable	(72)
Increase in compensated absences	8,100
Increase in net OPEB liability	5,635
Net cash used by operating activities	\$ (108,978)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 35,221
Cash and cash equivalents at year end	\$ 35,221

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$18,218

See notes to financial statements.

Exhibit J

**Corning Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ -	17,290
Accrued interest receivable	-	-
Total assets	-	17,290
Liabilities		
Accounts payable	-	17,290
Total liabilities	-	17,290
Net assets		
Reserved for scholarships	\$ -	-

See notes to financial statements.

Exhibit K

Corning Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2010

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	500
Interest income		2,251
Total additions		2,751
Deductions:		
Support services:		
Scholarships awarded		3,750
Transfer to other fiduciary		51,318
Total deductions		55,068
Change in net assets		(52,317)
Net assets beginning of year		52,317
Net assets end of year	\$	-

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Corning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Management Fund: The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

PPEL Fund: The PPEL Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Private Purpose Trust Fund: This fund accounts for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund: This fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments as follows:

Okey Vernon National Bank Certificates of Deposit	\$	10,000
State Bank of Brooks Certificate of Deposit		10,000
Iowa Schools Joint Investment Trust		
Diversified portfolio (amortized cost)		2,704,064
	\$	<u>2,724,064</u>

The ISJIT investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>226,288</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,689	-	-	204,689
Total capital assets not being depreciated	204,689	-	-	204,689
Capital assets being depreciated:				
Buildings	4,026,450	-	-	4,026,450
Improvements other than buildings	968,014	-	-	968,014
Furniture and equipment	1,277,424	486,727	9,892	1,754,259
Total capital assets being depreciated	6,271,888	486,727	9,892	6,748,723
Less accumulated depreciation for:				
Buildings	1,789,793	73,869		1,863,662
Improvements other than buildings	499,916	35,227		535,143
Furniture and equipment	781,821	114,519	9,766	886,574
Total accumulated depreciation	3,071,530	223,615	9,766	3,285,379
Total capital assets being depreciated, net	3,200,358	263,112	126	3,463,344
Governmental activities capital assets, net	\$ 3,405,047	263,112	126	3,668,033
Business type activities:				
Furniture and equipment	\$ 195,876	8,779	-	204,655
Less accumulated depreciation	148,269	6,057	-	154,326
Business type activities capital assets, net	\$ 47,607	2,722	-	50,329

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 114,139
Special		10,369
Other		13,980
Support services:		
Student		464
Instructional staff		16,083
Administration		10,601
Operation and maintenance		32,361
Transportation		25,618
Total depreciation expense - governmental activities		\$ 223,615
Business type activities:		
Food service operations		\$ 6,057

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 215,000	5,730,000	215,000	5,730,000	180,000
Early retirement	270,802	267,326	83,046	455,082	138,480
Compensated absences	-	56,700	-	56,700	56,700
Net OPEB liability	-	125,371	-	125,371	-
Total	\$ 485,802	6,179,397	298,046	6,367,153	375,180
Business type activities:					
Compensated absences	\$ -	8,100	-	8,100	8,100
Net OPEB liability	-	5,635	-	5,635	-
	\$ -	13,735	-	13,735	8,100

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.125%	\$ 180,000	243,563	423,563
2012	4.125%	190,000	236,137	426,137
2013	4.125%	200,000	228,300	428,300
2014	4.125%	210,000	220,050	430,050
2015	4.125%	215,000	211,388	426,388
2016	4.125%	225,000	202,519	427,519
2017	4.125%	240,000	193,237	433,237
2018	4.125%	250,000	183,338	433,338
2019	4.125%	260,000	173,025	433,025
2020	4.125%	270,000	162,300	432,300
2021	4.125%	285,000	151,162	436,162
2022	4.125%	295,000	139,406	434,406
2023	4.125%	310,000	127,238	437,238
2024	4.250%	325,000	114,450	439,450
2025	4.250%	340,000	100,637	440,637
2026	4.250%	355,000	86,188	441,188
2027	4.500%	370,000	71,100	441,100
2028	4.500%	385,000	54,450	439,450
2029	4.500%	405,000	37,125	442,125
2030	4.500%	420,000	18,900	438,900
Total		\$ 5,730,000	2,954,513	8,684,513

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2010, totaled \$83,046.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008, were \$208,447, \$199,471, and \$182,144, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 167,860
Contributions made	(36,854)
Increase in net OPEB obligation	131,006
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 131,006</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$36,854 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$167,860	22.0%	\$131,006

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$6,984,148, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,984,148. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,100,000, and the ratio of the UAAL to covered payroll was 225.3%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$204,436 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Restatements

The total beginning net assets of governmental activities were decreased by \$20,335. This amount is comprised of a \$20,335 reduction to the General Fund balance due to a reallocation of state grants.

(11) Subsequent Event

The District approved issuance of \$1,750,000 of School Infrastructure Sales, Services and Use Tax Revenue Bonds dated November 1, 2010.

Required Supplementary Information

Corning Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Variance Favorable (Unfavorable)
				Original	Final	
Revenues:						
Local sources	\$ 3,047,633	95,020	3,142,653	3,464,236	3,464,236	(321,583)
State sources	2,303,647	2,806	2,306,453	2,989,520	2,989,520	(683,067)
Federal sources	551,941	142,053	693,994	497,000	497,000	196,994
Total revenues	5,903,221	239,879	6,143,100	6,950,756	6,950,756	(807,656)
Expenditures:						
Instruction	3,750,615	-	3,750,615	4,524,531	4,524,531	773,916
Support services	1,576,929	-	1,576,929	3,408,155	3,408,155	1,831,226
Non-instructional programs	3,400	241,306	244,706	670,348	670,348	425,642
Other expenditures	1,310,732	-	1,310,732	833,951	1,500,000	189,268
Total expenditures	6,641,676	241,306	6,882,982	9,436,985	10,103,034	3,220,052
Deficiency of revenues under expenditures	(738,455)	(1,427)	(739,882)	(2,486,229)	(3,152,278)	2,412,396
Other financing sources, net	5,910,567	-	5,910,567	-	-	5,910,567
Excess (deficiency) of revenues and other financing sources over (under) expenditures	5,172,112	(1,427)	5,170,685	(2,486,229)	(3,152,278)	8,322,963
Balances beginning of year, as restated	2,594,146	75,363	2,669,509	2,494,006	2,494,006	175,503
Balances end of year	\$ 7,766,258	73,936	7,840,194	7,777	(658,272)	8,498,466

See accompanying independent auditor's report.

Corning Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$666,049.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Corning Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 6,984,148	\$ 6,984,148	0.0%	\$ 3,100,000	225.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Schedule 1

Corning Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Other Unreserved Fund Balance	\$ 4	183	-	860	1,047
High School Drama	5,382	1,007	713	-	5,676
Musical/Madrigal	2,691	1,498	1,008	-	3,181
Cross Country	-	458	550	156	64
Tennis	-	282	286	311	307
Golf	-	520	759	467	228
Boys Basketball	12	3,800	3,846	311	277
Football	753	7,752	7,593	623	1,535
Baseball	-	233	466	611	378
Boys Track	-	-	-	311	311
Wrestling	-	4,124	3,865	156	415
Girls Basketball	1,339	3,057	3,030	311	1,677
Volleyball	825	2,229	2,130	467	1,391
Cheerleaders	456	1,635	1,874	311	528
Softball	-	3,086	3,697	623	12
Girls Track	214	1,968	2,293	467	356
Athletics-General	-	49,384	43,233	-	6,151
FBLA	-	18,198	20,459	791	(1,470)
K-6 Book Fair	6,007	6,022	4,565	-	7,464
FFA	2,171	11,267	11,961	125	1,602
FCCLA	911	5,742	6,469	260	444
K-6 Special Needs	224	-	-	-	224
Foreign Language Club	17	-	-	-	17
Concessions	-	24,011	13,693	(10,000)	318
Senior Class	36	150	756	3,449	2,879
Junior Class	2,430	5,483	6,604	(1,206)	103
Sophomore Class	-	125	22	(41)	62
Freshman Class	-	75	14	(61)	-
Junior High Student Council	577	807	708	(180)	496
Student Senate	557	5,168	4,165	-	1,560
Junior High Teacher's Lounge	-	-	180	180	-
Touch	379	-	-	-	379
Y-Teens	3,082	4,492	3,783	(400)	3,391
Yearbook	9,268	6,536	13,014	1,098	3,888
Elementary Yearbook	-	1,544	1,272	-	272
Preschool Fundraiser	-	6,857	3,389	-	3,468
School Pictures	-	482	-	-	482
High School Pop Fund	633	1,494	1,455	-	672
K-6 Student Council	295	40	-	-	335
Morris DC Trip	1,781	25,538	26,982	-	337

Schedule 1

Corning Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Friends	4	-	-	-	4
Red Raider Jean Days	-	1,330	1,253	-	77
FCA	114	100	35	-	179
K-6 Teacher's Lounge	-	170	-	-	170
High School Horticulture	5,957	594	625	-	5,926
K-6 Box Top	1,438	1,761	2,436	-	763
3rd Grade Landscape	1,878	-	70	-	1,808
Alumni Newsletter	848	11,009	11,857	-	-
John Harris Tourney	730	11,200	8,402	-	3,528
Total	\$ 51,013	231,411	219,512	-	62,912

See accompanying independent auditor's report.

Schedule 2

Corning Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 7,737	34,210	24,657	17,290
Total assets	\$ 7,737	34,210	24,657	17,290
Liabilities				
Accounts payable	\$ 7,737	34,210	24,657	17,290
Total liabilities	\$ 7,737	34,210	24,657	17,290

See accompanying independent auditor's report.

Corning Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Nine Years

	Modified Accrual Basis								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:									
Local sources:									
Local tax	\$ 2,415,233	2,622,502	2,406,437	2,402,720	2,438,779	2,096,295	1,965,807	1,818,126	1,665,347
Tuition	240,356	256,371	285,683	296,029	253,543	260,314	231,150	196,299	179,302
Other	392,044	256,827	733,069	459,644	419,668	264,776	182,383	205,293	191,802
State sources	2,303,647	2,739,632	2,582,283	2,440,835	2,429,982	2,532,028	2,573,835	2,507,573	2,476,944
Federal sources	551,941	256,732	215,652	253,374	327,928	209,707	322,577	313,096	168,733
Total	\$ 5,903,221	6,132,064	6,223,124	5,852,602	5,869,900	5,363,120	5,275,752	5,040,387	4,682,128
Expenditures:									
Instruction:									
Regular instruction	\$ 2,500,548	2,371,763	2,237,426	2,173,171	2,070,237	1,606,933	1,733,517	1,900,787	1,898,104
Special instruction	694,027	837,286	780,247	726,264	814,089	639,566	811,822	861,851	731,738
Other instruction	556,040	525,077	558,745	558,792	360,117	743,048	487,984	332,406	275,107
Support services:									
Student services	12,425	30,383	31,373	35,368	69,169	141,540	234,329	128,292	148,916
Instructional staff services	249,730	236,686	255,243	224,743	178,175	114,545	31,178	67,828	72,930
Administration services	580,258	564,829	621,934	613,744	541,244	513,085	477,168	500,588	454,355
Operation and maintenance of plant services	501,729	514,143	451,615	379,297	434,030	343,602	331,511	328,200	323,207
Transportation services	232,787	805,986	500,054	274,681	327,577	263,725	228,499	255,123	266,080
Community service operations	-	-	-	-	-	-	-	-	5,375
Food service operations	3,400	5,042	6,567	8,121	-	6,947	12,393	12,393	11,931
Non-instructional programs	-	-	-	-	267	-	-	-	-
Other expenditures:									
Facilities acquisition	879,483	75,599	167,595	212,590	263,452	230,877	100,177	150,873	149,296
Long-term debt:									
Principal	215,000	205,000	195,000	185,000	175,000	165,000	155,000	150,000	145,000
Interest and other charges	11,813	21,948	31,990	41,701	50,890	59,553	67,690	75,085	81,685
AEA flowthrough	204,436	190,542	181,827	178,772	173,627	175,232	179,413	185,506	185,958
Total	\$ 6,641,676	6,384,284	6,019,616	5,612,244	5,457,874	5,003,653	4,850,681	4,948,932	4,749,682

See notes to financial statements.

Schedule 4

Corning Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	32,273
National School Lunch Program	10.555	FY 10	109,780 *
			<u>142,053</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 10	96,441
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	50,186
			<u>146,627</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	1,949
Rural Education Achievement Program	84.358	FY 10	30,374
Improving Teacher Quality State Grants	84.367	FY 10	53,883
Grants for State Assessments and Related Activities	84.369	FY 10	3,257
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY 10	226,640
Area Education Agency:			
Special Education - Grants to States	84.027	FY 10	26,226
Career and Technical Education - Basic Grants to States	84.048	FY 10	5,417
Math and Science Partnerships	84.366	FY 10	200
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	57,368
Total			<u>\$ 693,994</u>

* - Includes \$18,218 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Corning Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

This page intentionally left blank.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Corning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corning Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corning Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corning Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Corning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Corning Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corning Community School District and other parties to whom Corning Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Van Maanen, Sietstra & Meyer, PC". The script is cursive and fluid.

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 1, 2010



**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of Corning Community School District:

Compliance

We have audited the compliance of Corning Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Corning Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Corning Community School District's management. Our responsibility is to express an opinion on Corning Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Corning Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Corning Community School District's compliance with those requirements.

In our opinion, Corning Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Corning Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Corning Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Corning Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Corning Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Corning Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corning Community School District and other parties to whom Corning Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 1, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Corning Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

- II-A-10 Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part III: Findings for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

- III-A-10 Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - No business transactions were noted between the District and District officials or employees.
- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-10 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

Corning Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

IV-G-10 Certified Enrollment – A variance in the basic enrollment data certified to the Department of Education was noted.

Recommendation – The certified enrollment data should be corrected.

Response – We will attempt to correct certified enrollment errors in the future.

Conclusion – Response accepted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Depository Limits – The District exceeded the approved depository limit during the month of May after receipt of general obligation bond proceeds.

Recommendation – The District should have passed a resolution to raise depository limits prior to receiving the bond proceeds.

Response – The District raised the depository limit in July.

Conclusion – Response accepted.

IV-M-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	26,908
Statewide sales, services and use tax revenue		293,488
Expenditures/transfers out		
School infrastructure:		
Facilities acquisition and construction	\$	94,108
Debt service for school infrastructure:		
General obligation debt		226,288
		<u>320,396</u>
Ending balance	\$	<u>-</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1000 of	
	Taxable	Property Tax
	Valuation	Dollars
Debt service levy	\$ 1.95902	\$ 293,488